

0026

1 CHAIRMAN KYLE: Thank you.

2 DIRECTOR TATE: Checklist Item No. 6,  
3 "Local switching unbundled from transport, local loop  
4 transmission, or other services."

5 Based on the record in this docket,  
6 BellSouth has demonstrated that it provides, one,  
7 line-side and trunk-side facilities; two, basic  
8 switching functions; three, vertical features; four,  
9 customized routing; five, shared trunk ports; six,  
10 unbundled tandem switching; seven, usage information  
11 for billing exchange access; and, eight, usage  
12 information for billing reciprocal compensation.

13 Additionally, BellSouth demonstrated  
14 that it provides a significant number of unbundled  
15 switch ports and loop port combination arrangements to  
16 competitive carriers.

17 While certain billing issues were  
18 raised in the testimony, including those raised by AT&T  
19 and Covad, they are -- I don't feel that they are  
20 material enough to warrant a finding of noncompliance  
21 by the Authority on this particular checklist item.  
22 BellSouth has shown that the substantial majority of  
23 AT&T's bills are correct and that BellSouth is  
24 committed to working with AT&T to resolve the small  
25 amount disputed by AT&T through a predesigned dispute

0027

1 resolution process.

2                   As to Covad's particular claim of  
3 premature billing for line shared loop orders,  
4 BellSouth has admitted that some of the orders were  
5 billed too early. However, BellSouth demonstrates that  
6 any such early billing results in a one-time small  
7 overcharge and that such amounts will be properly  
8 adjusted if the competitive carrier submits a billing  
9 dispute. Moreover, BellSouth testified that it is  
10 working toward a more effective solution to this  
11 premature billing problem.

12                   Therefore, I move that BellSouth be  
13 found in compliance with the requirements of Checklist  
14 Item No. 6.

15                   CHAIRMAN KYLE: I believe BellSouth is  
16 providing or generally offering local switching,  
17 unbundled from transport, local loop transmission, or  
18 other services and, therefore, is in compliance with  
19 Checklist Item 6.

20                   DIRECTOR MILLER: I find that  
21 BellSouth has complied with the requirements for  
22 Checklist Item 6.

23                   DIRECTOR TATE: Checklist Item No. 7,  
24 "Nondiscriminatory access to, one, 911 and E911  
25 services; two, directory assistance services to allow

0028

1 the other carrier's customers to obtain telephone  
2 numbers; and three, operator call completion services."

3 BellSouth states that it will provide  
4 CLECs with equivalent access to 911 and E911 services.  
5 BellSouth will provide municipality listings to CLECs  
6 that will be -- that will enable the CLECs to translate  
7 911 calls to the appropriate directory number.  
8 BellSouth states that it will load CLEC end-user  
9 information into the associated databases.

10 The record shows that BellSouth  
11 affords competitors the ability to access 911 and E911  
12 and maintains the database entries for CLECs with the  
13 same accuracy and reliability that it maintains the  
14 database entries for its own customers.

15 BellSouth further states that it will  
16 provide CLECs with equivalent access to directory  
17 assistance and operator services. CLECs have the  
18 option of using BellSouth's directory assistance and  
19 operator services through customized routing or they  
20 may provide their own operator and directory  
21 assistance. When the CLEC customers use directory  
22 assistance and operator services of BellSouth, the  
23 CLECs may request that BellSouth brand that particular  
24 call.

25 BellSouth offers access to directory

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1 assistance databases either through access to the  
2 directory assistance database, DADS, or through the  
3 directory access directory assistance services, DADAS.

4 Do you all actually say that?

5 Moreover, the parties to this docket  
6 stipulated to this item with no party contesting  
7 BellSouth's compliance or evidence to the contrary.

8 Therefore, I would move that this will  
9 ensure the continued public safety benefits afforded by  
10 the 911 and E911 efforts and that BellSouth complies  
11 with Checklist Item No. 7.

12 CHAIRMAN KYLE: I would agree that  
13 BellSouth is providing or generally offering  
14 nondiscriminatory access to 911 and E911 services,  
15 directory assistance services to allow the other  
16 carriers' customers to obtain telephone numbers, and  
17 operator call completion services, and, therefore, is  
18 in compliance with Checklist Item 7.

19 DIRECTOR MILLER: I find that  
20 BellSouth has complied with the requirements of  
21 Checklist Item 7.

22 DIRECTOR TATE: Checklist Item No. 8,  
23 "White pages directory listings for customers of other  
24 telecommunications carrier's telephone exchange  
25 service."

1                   Some of the CLECs did present  
2 anecdotal evidence of noncompliance in the context of  
3 BellSouth's five-state 271 application. KMC presented  
4 evidence that BellSouth is not complying with Checklist  
5 Item 8 in Georgia and Louisiana's application; however,  
6 the FCC rejected those arguments. The parties have  
7 presented no evidence in the Tennessee proceeding that  
8 BellSouth does not comply.

9                   For the foregoing reasons, I would  
10 move that the Authority find BellSouth in compliance  
11 with Checklist Item No. 8.

12                  CHAIRMAN KYLE: I agree that BellSouth  
13 is providing or generally offering white pages  
14 directory listing for customers of the other carrier's  
15 telephone exchange services and, therefore, is in  
16 compliance with Checklist Item 8.

17                  DIRECTOR MILLER: I find that  
18 BellSouth has complied with Checklist Item No. 8.

19                  DIRECTOR TATE: Checklist Item No. 9,  
20 "Until the date by which telecommunications numbering  
21 administration guidelines, plan, or rules are  
22 established, nondiscriminatory access to telephone  
23 numbers for assignment to other carrier's telephone  
24 exchange service customers. After that date,  
25 compliance with such guidelines, plan, or rules."

1 BellSouth meets the requirements of  
2 Section 271(c)(2)(B)(ix) and Section 251(b)(3) of the  
3 Act as stipulated by the -- by all the parties.  
4 Lockheed Martin assumed the responsibility of providing  
5 for the North American Numbering Plan Administration in  
6 1998; however, in BellSouth's region the transition  
7 began July 6, 1998 and concluded August 14th, 1998.

8 BellSouth no longer performs the  
9 central office code assignment function. NeuStar  
10 assumes all NANPA responsibilities on November 17th,  
11 1999 when the FCC approved the transfer of Lockheed  
12 Martin's Communications Industry Service Division to  
13 NeuStar. The parties do not dispute that BellSouth has  
14 satisfied this item.

15 BellSouth should continue to  
16 demonstrate that it assists CLECs in obtaining NPA/NXX  
17 codes, adheres to industry guidelines as well as FCC  
18 rules, and continues to demonstrate accurate reporting  
19 of data to the central office code administrator.

20 Based on this, I would move that the  
21 Directors find that BellSouth has complied with  
22 Checklist Item No. 9.

23 CHAIRMAN KYLE: I would agree  
24 BellSouth is providing or generally offering  
25 nondiscriminatory access to telephone numbers for

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1 assignment to the other carrier's telephone exchange  
2 service customers and, therefore, is in compliance with  
3 Checklist Item 9.

4 DIRECTOR MILLER: I find that  
5 BellSouth has complied with the requirements of  
6 Checklist Item No. 9.

7 DIRECTOR TATE: Checklist Item No. 10,  
8 "Nondiscriminatory access to databases and associated  
9 signally necessary for call routing and completion."

10 My motion is based on the observation  
11 that none of the parties have refuted or contested  
12 BellSouth's claim that it is in compliance with the  
13 checklist item. The information filed in this docket  
14 is comparable to the data used by the FCC to find that  
15 BellSouth was in compliance with Checklist Item 10 in  
16 both the Georgia and Louisiana applications.

17 Therefore, I believe that BellSouth  
18 does provide nondiscriminatory access to databases and  
19 associated signaling necessary for call routing in  
20 Tennessee and would move that the Directors find that  
21 BellSouth has, therefore, complied with the  
22 requirements of Checklist Item 10.

23 CHAIRMAN KYLE: I would agree.

24 DIRECTOR MILLER: I find that  
25 BellSouth has complied with the requirements of

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1 Checklist Item 10.

2 DIRECTOR TATE: Checklist Item No. 11,

3 "Until the date by which the commission issues

4 regulations pursuant to Section 251 to require number

5 portability, interim telecommunications number

6 portability through remote call forwarding, direct

7 inward dialing trunks, or other comparable

8 arrangements, with as little impairment of functioning,

9 quality, reliability, and convenience as possible.

10 After that date, full compliance with such

11 regulations."

12 Congress has defined number

13 portability as the ability of users of

14 telecommunications services to retain at the same

15 location existing telecommunications numbers without

16 impairment of quality, reliability, or convenience when

17 switching from one telecommunications carrier to

18 another. Without number portability, customers

19 ordinarily cannot change their local companies unless,

20 of course, they change their telephone numbers.

21 The record shows BellSouth has been

22 providing permanent local number portability pursuant

23 to the FCC's third report and order since

24 November 19th, 2001. Additionally, there was no

25 evidence presented to counter BellSouth's claims.



1 I would move that BellSouth be found  
2 in compliance with the requirements of Checklist Item  
3 No. 11.

4 CHAIRMAN KYLE: I would agree.  
5 BellSouth is providing or generally offering number  
6 portability in compliance with the FCC's number  
7 portability regulations adopted pursuant to Section 251  
8 and, therefore, is in compliance with Checklist  
9 Item 11.

10 DIRECTOR MILLER: I find BellSouth to  
11 be compliant with Checklist Item No. 11.

12 DIRECTOR TATE: Checklist Item No. 12,  
13 which is nondiscriminatory access to services and  
14 information to provide for local dialing parity.

15 The parties stipulated to this  
16 checklist item, and according to testimony presented,  
17 BellSouth provides for local and toll dialing parity to  
18 CLECs with no unreasonable delays and provides for  
19 dialing parity for all originating telecommunications  
20 services that require dialing in order to route a call.  
21 BellSouth is required to allow CLECs to permit  
22 similarly situated telephone exchange service end users  
23 to dial the same number of digits to make a local  
24 telephone call notwithstanding the identity of the end  
25 user's or the called party's service provider.

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On June 22nd, 1999 in Docket No.

2 97-01399, BellSouth filed with the Authority its Second

3 Revised IntraLATA Toll Dialing Parity Plan. This

4 filing was approved by this Authority with the

5 following modifications: One, the customers be

6 notified that they would not be automatically defaulted

7 to a carrier if they had not selected a carrier; and,

8 two, that they would be required to dial an access code

9 to place intraLATA toll calls until they made an

10 affirmative choice for intraLATA toll carrier.

11 Further, BellSouth amended its plan to include that

12 they would comply with all applicable rules of both the

13 FCC and the TRA.

14 The parties express no problems

15 regarding post-dial delays, call completion rates, and

16 transmission quality relating to local call dialing

17 parity.

18 Therefore, I would move that the

19 Directors find that BellSouth has complied with

20 Checklist Item No. 12.

21 CHAIRMAN KYLE: I believe that

22 BellSouth is providing or generally offering

23 nondiscriminatory access to such services or

24 information as are necessary to allow the requesting

25 carrier to implement local dialing parity in accordance

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1 with the requirements of Section 251(b)(3) and,  
2 therefore, is in compliance with Checklist Item 12.

3 DIRECTOR MILLER: I find BellSouth to  
4 be in compliance with Checklist Item No. 12.

5 DIRECTOR TATE: Checklist Item No. 13,  
6 provision of reciprocal compensation arrangements. The  
7 interconnection agreements that are on file with this  
8 Authority demonstrate that BellSouth has agreed to pay  
9 reciprocal compensation consistent with Section  
10 251(b)(5).

11 In the First Report and Order, the FCC  
12 stated that the state commissions have the authority to  
13 determine what geographic area should be considered  
14 local areas for the purpose of applying reciprocal  
15 compensation obligations. The former Directors, acting  
16 as Arbitrators in Docket No. 99-00948, ruled  
17 unanimously that calls to an NPA/NXX in a local calling  
18 area outside the local calling area is homed shall be  
19 treated as intrastate, interexchange toll traffic for  
20 purposes of intercarrier compensation and, therefore,  
21 are subject to access charges. For this reason, AT&T's  
22 contention that all intraLATA calls should be subject  
23 to reciprocal compensation should be rejected.

24 The Authority in that same docket  
25 ruled that Intermedia may only receive tandem

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1 reciprocal compensation at BellSouth's tandem  
2 interconnection rate if Intermedia begins providing the  
3 tandem switching function per Section 51.319(c)(2) of  
4 the FCC rules and serves a geographic area comparable  
5 to the areas served by BellSouth's tandem switch.

6                   The Authority issued this ruling prior  
7 to the FCC order that removed the requirements that  
8 Intermedia's switch must provide certain tandem  
9 switching functions. The TRA later ordered BellSouth  
10 to pay WorldCom the tandem interconnection rate as long  
11 as WorldCom's switch was capable of serving a  
12 geographic area that was comparable to the area served  
13 by BellSouth. This ruling is consistent with the  
14 recent FCC memorandum opinion and order found at  
15 DA 02-1732 which was issued on July 17th, 2002.

16                   In responding to concerns regarding  
17 the rate to be paid for tandem switching, BellSouth  
18 stated that it will pay the tandem switching rate if  
19 the CLEC switch serves a geographic area comparable to  
20 BellSouth's tandem switch. The Authority in Docket  
21 00-00309, the BellSouth/MCI arbitration, ordered that  
22 the tandem switching rate should be paid if the CLEC  
23 switch is capable of serving an area comparable to  
24 BellSouth's tandem switch. Based upon BellSouth's  
25 contention, it is apparent that clarification or

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1 reiteration of the Authority's previous mandate is  
2 necessary.

3                   Based upon BellSouth complying with  
4 FCC and TRA orders and paying the tandem switching rate  
5 when the CLEC switch is capable of serving a geographic  
6 area comparable to the area served by BellSouth's  
7 tandem switch, I would move that the Authority find  
8 BellSouth in compliance with Checklist Item No. 13.

9                   CHAIRMAN KYLE: BellSouth is providing  
10 or generally offering reciprocal compensation  
11 arrangements in accordance with the requirements of  
12 Section 251(c)(4) and 252(d)(3) and, therefore, is in  
13 compliance with Checklist Item 13.

14                  DIRECTOR MILLER: Director Tate, could  
15 I ask you to read your motion again, specifically your  
16 motion?

17                  DIRECTOR TATE: Based upon BellSouth  
18 complying with the FCC and TRA orders and paying the  
19 tandem switching rate when the CLEC switch is capable  
20 of serving a geographic area comparable to the area  
21 served by BellSouth's tandem switch, I move that the  
22 Authority find BellSouth is in compliance with  
23 Checklist Item No. 13.

24                  DIRECTOR MILLER: Okay. I find that  
25 BellSouth is compliant with Checklist Item 13.

1 DIRECTOR TATE: Checklist Item No. 14,  
2 resale. The record in this proceeding supports the  
3 conclusion that BellSouth satisfies the requirements of  
4 this checklist item. The Authority previously  
5 established resale procedures and wholesale discounts  
6 in the Avoidable Cost Docket, 97-01331, and the  
7 Arbitration Awards Docket, 96-01271 and 96-01152.  
8 BellSouth demonstrates that it has entered into  
9 numerous resale agreements with competing carriers.  
10 The record indicates that BellSouth's resale agreements  
11 and tariffs are compliant with the resale provisions of  
12 the Act as well as the resale requirements of this  
13 Authority. Moreover, BellSouth has shown that it  
14 offers promotional tariffs and CSAs available for  
15 resale in a nondiscriminatory manner.

16 BellSouth correctly asserts that the  
17 FCC does not require it to make nonretail DSL services  
18 available for resale as a condition of meeting its  
19 resale obligations under the Act. Finally, none of the  
20 parties entered testimony into the record that directly  
21 contradicts BellSouth's assertion of the compliance.

22 However, BellSouth's witness  
23 Mr. Ruscilli stated that retail promotions offered for  
24 more than 90 days will be made available for resale at  
25 the stated tariff rate less the wholesale discount or

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1 at the promotional rate. This position I believe is in  
2 conflict with the FCC's comments and rules in the local  
3 competition order, which is FCC 96-325. The FCC  
4 discussed the determination of the retail rate for the  
5 purpose of calculating the wholesale rate and made the  
6 determination that rates for short-term promotions,  
7 less than 90-day promotions, is not considered retail  
8 for wholesale obligation purposes.

9               The FCC further elaborated that those  
10 promotional offerings greater than 90 days must be  
11 offered for resale with wholesale discounts.  
12 Therefore, the promotional rate is considered retail  
13 for these long-term promotions. I would like to make  
14 clear that in order for BellSouth to meet its resale  
15 obligations under the Act, BellSouth must resell its  
16 retail promotions offered for more than 90 days at the  
17 promotional rate less the wholesale discount.  
18 Otherwise, BellSouth could effectively shelter selected  
19 services from competition through resale by offering  
20 long-term promotions or merely renewable short-term  
21 promotions.

22               Based upon BellSouth's promotional  
23 tariffs filed here and not on the testimony of  
24 Mr. Ruscilli, I would move that the Authority find  
25 BellSouth is in compliance with Checklist Item No. 14.

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CHAIRMAN KYLE: I believe that

2 BellSouth is providing or generally offering

3 telecommunications services such that they are

4 available for resale in accordance with the

5 requirements of Section 251(c)(4) and Section 252(d)(3)

6 and, therefore, is in compliance with Checklist

7 Item 14.

8

DIRECTOR MILLER: I find BellSouth to

9 be compliant with Checklist Item 14.

10

DIRECTOR TATE: Now we must answer the

11 question of whether or not the approval of BellSouth's

12 entry into interLATA markets in Tennessee is consistent

13 with the public interest, convenience, and necessity.

14

The record does not support the CLECs'

15 allegation that BellSouth's actions, practices,

16 policies, and overall behavior constitute an impediment

17 to competition in Tennessee, thereby undermining public

18 interest concerns of Section 271 of the

19 Telecommunications Act of 1996. I understand that some

20 of the CLECs may have been aggrieved by some of

21 BellSouth's actions, which may be perceived as

22 inappropriate or anticompetitive. However, no party in

23 this proceeding has produced sufficient evidence to

24 demonstrate BellSouth's actions and overall behavior

25 are anticompetitive.



1                   BellSouth's assertion that its  
2 win-back strategies are supported by the Act and the  
3 FCC is not persuasive. Although the FCC concluded in  
4 the Customer Appropriate Network Information order that  
5 win-back programs are consistent with Section  
6 222(c)(1), the Commission found that retention  
7 marketing campaigns can harm competition if a carrier  
8 uses carrier-to-carrier information such as switch or  
9 presubscribed interexchange carrier, PIC, order to  
10 trigger this type of marketing campaign. Section  
11 222(b) of the Act also prohibits a carrier from using  
12 carrier proprietary information to retain soon-to-be  
13 former customers when the carrier gains notice of the  
14 customer's imminent cancellation of service through the  
15 provision of carrier-to-carrier service.

16                   In other words, both the Act and the  
17 FCCs rules do not give blanket endorsement to  
18 BellSouth's win-back programs, which may be based on  
19 marketing strategies that exploit the precarious  
20 position of the CLECs in the local exchange market.

21                   In order to ensure that BellSouth  
22 continues to provide competitors with nondiscriminatory  
23 access to the items contained in the 14-point checklist  
24 following 271 approval, it is important to have methods  
25 to prevent BellSouth from any backsliding. The most

0043

1 effective way to accomplish this is to have in place a  
2 set of performance measures that can be used to  
3 continually monitor BellSouth's actions in a post-271  
4 environment. Having the Florida performance measures  
5 and SEEMs in place pursuant to the agreement of the  
6 parties in this case will ensure that it will remain in  
7 the public interest for BellSouth to have the authority  
8 to offer interLATA long distance services.

9                   It is my understanding that BellSouth  
10 has an internal policy in other states to refrain from  
11 contacting customers switching to another carrier for  
12 ten days. I applaud this policy, and I would certainly  
13 expect that it would continue to apply in Tennessee to  
14 Tennessee citizens as well as the citizens of other  
15 states.

16                   Based upon the previous findings of  
17 the Authority this morning, the comments of the FCC and  
18 the Georgia and Louisiana filings, the comments of the  
19 Department of Justice in the pending five-state  
20 filings, the settlement agreement accepted by this  
21 agency, and the record in the proceeding, I move that  
22 the Directors find that BellSouth's entry into the  
23 interLATA market in Tennessee is consistent with the  
24 public interest, convenience, and necessity.

25                   CHAIRMAN KYLE: I would agree that

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1 entry by BellSouth into the interLATA long distance  
2 market is consistent with the public interest,  
3 convenience, and necessity in accordance with the  
4 Federal Act.

5                   DIRECTOR MILLER: I find that  
6 BellSouth has met the 14-point competitive checklist  
7 under Section 271 of the Act, and I find that it's in  
8 the public interest for the Tennessee Regulatory  
9 Authority to recommend BellSouth's application for long  
10 distance -- application for entrance into the long  
11 distance market, and I think we at this point have to  
12 recognize subject to the settlement agreement to adopt  
13 the Florida performance measures and SEEMs as adopted  
14 by this panel. Therefore, I find it is in the public  
15 interest for the TRA to recommend BellSouth's  
16 application into the long distance market.

17                   DIRECTOR TATE: Section 272, separate  
18 affiliate safeguards. Section 272 of the Act requires  
19 a BOC, including any of its affiliates, which is a  
20 local exchange carrier and subject to the requirements  
21 of Section 251(c), may not provide any service unless  
22 it provides that service through one or more affiliates  
23 that are separate from any operating company entity  
24 that is subject to the requirements of Section 251(c)  
25 and meet the requirements of Subsection (b).

1                   BellSouth notified this Authority on  
2 June 26th, 2002 that the CLECs would not submit any  
3 evidence contesting BellSouth's compliance with this  
4 checklist item. BellSouth attaches its Articles of  
5 Incorporation, 2001 Joint ARMIS Cost Report, its 2001  
6 10K Securities and Exchange Commission filing for  
7 BellSouth. BellSouth also provided a report from its  
8 auditor, Pricewaterhouse Coopers. This report provided  
9 consolidated balance sheets and the consolidated  
10 statements of income cash flows and shareholders equity  
11 and presented fairly the financial position of  
12 BellSouth and its subsidiaries.

13                   Given that BSLD is not a Tier 1  
14 carrier, this auditor's statement relative to the  
15 position of BellSouth and its subsidiaries is  
16 consistent with the FCC's rule part 64.904 which covers  
17 all affiliate transactions. Additionally, this  
18 information was sufficient to convince the FCC in the  
19 Georgia/Louisiana II that BellSouth has made a prima  
20 facie showing that it would comply with Section 272;  
21 therefore, I would agree this is the case in the  
22 Tennessee application as well.

23                   I would move that BellSouth has  
24 sufficiently demonstrated that it will comply with the  
25 requirements of Section 272 of the Act.

0046

1 CHAIRMAN KYLE: I do believe Bell

2 meets these safeguards.

3 DIRECTOR MILLER: I concur.

4 CHAIRMAN KYLE: Anything further?

5 DIRECTOR TATE: If I could, I just

6 have one last statement. Our role here today, as

7 you-all know, is consultive and advisory to be

8 fulfilled by filing comments with the FCC in response

9 to their request following BellSouth's 271 submission.

10 I believe that the previous Directors as well as this

11 panel have completed a comprehensive and independent

12 review of the 14-point checklist that supports our

13 actions today. I believe that we're setting in motion

14 meaningful benchmarks to ensure the continued

15 compliance of these checklist items which ultimately

16 are all for the benefit of Tennessee citizens. I hope

17 that we will encounter the same experience that

18 Mississippi did when they said that compliance by

19 BellSouth was even clearer than it was when they

20 adopted their order.

21 I would encourage all of the parties

22 to continue along the path which I think that we

23 started in this docket by forging a historic settlement

24 agreement and using alternative dispute resolution or

25 expedited complaint processes or other creative

0047

1 solutions that you-all may come up with in order that  
2 any problems be resolved for consumers and your  
3 customers as soon as possible.

4                   While I personally have recommended  
5 approval to the FCC, I must reiterate that there is  
6 always room for improvement, and I believe that we  
7 provided the FCC with truthful information regarding  
8 our concerns and hope that they will agree that there  
9 are some areas which BellSouth needs to continue to  
10 address in order to fully comply with the checklist.  
11 At the same time, I recognize that we're in a  
12 revolutionary technological age and that these  
13 documents and agreements will need to change as we move  
14 forward, and that separately we will certainly enforce  
15 whatever penalty provisions required by Tennessee law  
16 or by the FCC in the future in order to fulfill our  
17 legal obligations to the citizens of this great state.

18                   CHAIRMAN KYLE: I endorse Bell's 271  
19 application, and my position is that Bell be given a  
20 favorable report to the FCC and that all actions and  
21 agreements by the parties and orders in other dockets  
22 by this Authority be reflected only where appropriate  
23 and needed.

24                   Any further comments?

25                   DIRECTOR MILLER: I move we adjourn.

0048

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CHAIRMAN KYLE: Move that we adjourn.

2 Thank you again each and every one of you. We are

3 adjourned.

4

(Proceedings concluded at

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11:15 a.m.)

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## REPORTER'S CERTIFICATE

2 STATE OF TENNESSEE )

3 COUNTY OF DAVIDSON )

4 I, Christina M. Rhodes, Registered

5 Professional Reporter, Certified Court Reporter, and

6 Notary Public for the State of Tennessee at Large,

7 hereby certify that I reported the foregoing

8 proceedings at the time and place set forth in the

9 caption thereof; that the proceedings were

10 stenographically reported by me; and that the foregoing

11 proceedings constitute a true and correct transcript of

12 said proceedings to the best of my ability.

13 I FURTHER CERTIFY that I am not

14 related to any of the parties named herein, nor their

15 counsel, and have no interest, financial or otherwise,

16 in the outcome or events of this action.

17 IN WITNESS WHEREOF, I have hereunto

18 affixed my official signature and seal of office this

19 29th day of August, 2002.

20

21

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22 CHRISTINA M. RHODES  
23 REGISTERED PROFESSIONAL REPORTER  
24 AND NOTARY PUBLIC FOR THE STATE  
25 OF TENNESSEE AT LARGE

My Commission Expires

25 January 28, 2006



## TAB 4

### LOCAL COMPETITION IN TENNESSEE

#### OVERVIEW

The BellSouth Tennessee service area is irreversibly open to competition. Numerous carriers are currently providing actual facilities-based commercial alternatives to business and residential customers. In BellSouth's Tennessee service area, as of July 2002, at least 77 CLECs were serving over 334,000 access lines, or between 11.6% and 12.9% of the total access lines in BellSouth's service area. BellSouth's evidence indicates at least 35 of the CLEC providers in Tennessee were facilities based providers. In that same month, BellSouth had over 275 approved Interconnection, Collocation and/or Resale agreements with competitors in Tennessee. In addition, BellSouth has completed 424 collocation requests for CLECs in 60 of BellSouth's Tennessee wire centers. From just these 60 wire centers, CLECs' collocation arrangements enable facilities-based CLECs to address approximately 70% of BellSouth's total access lines. In addition, CLECs have committed millions of dollars to deploy state-of-the-art facilities in BellSouth's service areas, including switching capacity, intra-city fiber rings and inter-city fiber routes.

Additionally, CLECs are serving 75,056 or 22% of their lines through UNE-P. UNE Loops account for approximately 15% of the CLEC provided access lines. Over half of the total CLEC access lines in BellSouth's Tennessee service area are served by CLECs exclusively over their own facilities.

Among the many facilities-based CLECs in Tennessee are AT&T, Birch Telecom, Knology, MCI-WorldCom, NewSouth Communications, US LEC and Z-Tel. Each of these carriers has an approved interconnection agreement with BellSouth, and each provides facilities-based service to either (or both) business and residential customers. Indeed, these carriers alone serve over 140,451 business lines and over 11,377 residential lines on a facilities basis.

BellSouth conservatively estimates that CLECs are serving just over 2.2% of the residential lines in BellSouth's area in Tennessee. (The CLECs' residential line share is comparable to that of New York at the time of its 271 application.) In addition, CLEC residential lines have increased over 70% since the first part of 2002. Increased choices for consumers are also evident from the numerous CLECs offering residential service in Tennessee. The telephone directories, upon CLEC request, are required to include contact information for CLECs serving their areas. For example, the directory for Chattanooga lists 33 different competing

residential local service providers, the Jackson directory lists 29, the Memphis directory lists 39, the Nashville directory lists 39, and the Knoxville directory lists 35 competitors.

As discussed above, local competition is a reality in Tennessee. BellSouth's data demonstrates that CLECs are utilizing all three means of competitive entry - facilities based, UNEs and resale - to provide business and residential services.

The TRA estimates that as of May 2002, in Tennessee, 37 CLECs were serving approximately 396,000 access lines, excluding resale lines, in the state. (See p. 6 of August 26, 2002 transcript.) It is reasonable to assume that 316,000 of the CLEC facilities-based access lines were served by CLECs operating in BellSouth's territory given that BellSouth's service area covers all the major metropolitan areas and BellSouth serves approximately 80 percent of the ILEC access lines in Tennessee.

In a report to the Tennessee legislature for the period July 1, 2000 to June 30, 2001, the TRA stated that competitors serve 335,598 lines in Tennessee, representing 10% of Tennessee's total lines and 28% of the business lines subject to competition. (See p. 36 of attached excerpt from TRA's Annual Report.)

CLECs have invested millions of dollars in developing fiber access and transport facilities and switching capabilities in Tennessee. For instance, the following CLECs have local voice fiber networks in place in Tennessee: Adelphia (Knoxville and Nashville), AT&T (Chattanooga, Knoxville and Nashville), ITC-Delta Com (Chattanooga, Memphis and Nashville), MCI/WorldCom (Knoxville and Memphis), and XO (Nashville and Memphis). Moreover, the following CLECs have operational voice and or data networks with at least one operational voice switch and or data switch in many of the major Tennessee markets: US LEC (Chattanooga, Knoxville, Memphis and Nashville), NewSouth (Nashville); AT&T (Chattanooga, Knoxville and Nashville), KMC (Chattanooga), BTI (Knoxville), MCI/WorldCom (Knoxville and Memphis), BTI (Knoxville and Nashville), ICG (Memphis), Nuvox (Memphis and Nashville) and Xspedious (Memphis and Nashville).

As of July 31 2002 BellSouth estimates that CLECs are serving the following local lines in the BellSouth Tennessee service area.

CLEC PROVIDERS	Number Of CLECs	<b>RESIDENTIAL</b> Lines	<b>BUSINESS</b> Lines	<b>TOTAL</b> Lines
<b>FACILITIES BASED</b>	35	3,250 <i>Resale</i> <b>14,669 Facilities- Based</b>	5,248 <i>Resale</i> <b>286,295 Facilities- Based</b>	8,498 <i>Resale</i> <b>300,964 Facilities- Based</b>
RESALE - ONLY	42	24,960	391	25,351 <i>Resale</i>
<b>CLEC TOTAL LINES</b>	77	<b>42,879</b>	<b>291,934</b>	<b>334,813</b>
TOTAL LINES		1,912,821	969,560	2,882,381
<b>ESTIMATED CLEC LINE SHARE</b>		<b>2.2 %</b>	<b>30.1 %</b>	<b>11.6%</b>

As of July 31, 2002, there were multiple competing carriers with over ten (10) lines in Tennessee reselling BellSouth's local services to customer lines as follows.

	CLECs	Resold Customer Lines
Tennessee	75	33,849
BellSouth Region	232	473,123

As of July 31, 2002, BellSouth had the following loop and port combinations in place for CLECs:

	<i>Loop/Port Combinations</i>
Tennessee	75,160
BellSouth Region	1,166,295

As of July 31, 2002, BellSouth had a total of 50,886 unbundled loops in service in Tennessee and 400,249 in the BellSouth Region for CLECs. The following is a breakdown of the loop types in place for CLECs:

	Tennessee	BST
<i>SL1 voice grade loops</i>	484	107,097
<i>SL2 voice grade loops</i>	42,212	225,160
<i>Two-wire ISDN digital grade loops</i>	1,027	6,034
<i>Two-wire ADSL loops</i>	1,698	17,100
<i>Two-wire HDSL loops</i>	46	350
<i>Four-wire HDSL loops</i>	4	64
<i>Four-wire DS-1 digital grade loops</i>	3,890	26,219
<i>56 or 64 Kb/s digital grade loops</i>	0	15
<i>Unbundled Copper Loop ("UCL") loops (both Long and Short)</i>	425	1,720
<i>DS3 loops</i>	0	34
<i>Unbundled Copper Loops-Non-designed ("UCL-ND")</i>	1	652
<i>Universal Digital Carrier ("UDC") loops</i>	1,099	15,804

The loops as described above exclude those loops designated as test loops.

As of July 31, 2002, BellSouth had provided the following number of EELs to CLECs:

	EELs
Tennessee	1,076
BellSouth Region	13,864

As of July 31, 2002, BellSouth had provisioned line sharing arrangements in Tennessee, and across BellSouth's nine-state region as follows:

	<i>Line Sharing Arrangements</i>
Tennessee	931
BellSouth Region	9,770

As of July 31, 2002, BellSouth had provisioned CLEC ordered trunks (that is, trunks from CLECs' switches to BellSouth's switches), as set out in the table below.

	Tennessee	BellSouth Region
<i>Interconnecting Trunks</i>	51,357	502,463
<i>Two-way Trunks, including Transit Trunks</i>	28,819	302,561